

NEWS RELEASE

Hunzelman, Putzier & Co., PLC today released an audit report on City of Ida Grove, Iowa.

The City's receipts totaled \$1,839,318 for the year ended June 30, 2005 an 11 percent decrease from 2004. The receipts included \$578,774 in property tax, \$99,718 from tax increment financing collections, \$682,312 from charges for service, \$265,726 from operating grants, contributions, and restricted interest, \$132,888 from capital grants, contributions, and restricted interest, \$34,186 from unrestricted investment earnings, and \$45,714 from other general receipts.

Disbursements for the year totaled \$2,172,374, a 9 percent increase from the prior year, and included \$466,939 for capital projects, \$317,698 for culture and recreation, and \$295,948 for public works. Also, disbursements for business type activities totaled \$501,287.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

/s/s/s/s

CITY OF IDA GROVE

INDEPENDENT AUDITOR'S REPORTS

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS

JUNE 30, 2005

CITY OF IDA GROVE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

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CITY OF IDA GROVE
OFFICIALS

| <u>NAME</u> | <u>TITLE</u> | <u>TERM EXPIRES</u> |
|-------------------|----------------|---------------------|
| Dennis Ernst | Mayor | January, 2006 |
| Rick Heeren | Council Member | January, 2006 |
| Stephanie Konradi | Council Member | January, 2006 |
| Bill Carmine | Council Member | January, 2008 |
| Tom Peterson | Council Member | January, 2008 |
| Jim Weary | Council Member | January, 2008 |
| Diane Alborn | Clerk | Indefinite |
| Sheryl Wonder | Treasurer | Indefinite |
| Laurel Boerner | Attorney | Indefinite |

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.
JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Ida Grove, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ida Grove, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ida Grove, as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 9, 2005 on our consideration of City of Ida Grove's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, and budgetary comparison information on pages 6 through 11 and 24 through 25 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ida Grove's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungelman, Putzier & Co.

September 9, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Ida Grove provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities decreased 13.9%, or approximately \$223,000, from fiscal 2004 to fiscal 2005.

Disbursements of the City's governmental activities increased 4.2%, or approximately \$68,000, in fiscal 2005 from fiscal 2004.

The City's total cash basis net assets decreased 16%, or approximately \$333,000, from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities decreased approximately \$290,000 and the assets of the business type activities decreased by approximately \$43,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the water, sewer, and garbage services. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (1) the General Fund, (2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, (3) the Debt Service Fund, and (4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements, and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, garbage, and utility deposit funds. The water, sewer, and garbage funds are considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements, and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

| <u>Changes in Cash Basis Net Assets of Governmental Activities</u> <u>(Expressed in Thousands)</u> | | |
|---|----------------------------|----------------|
| | <u>Year Ended June 30,</u> | |
| | <u>2005</u> | <u>2004</u> |
| Receipts and transfers: | | |
| Program receipts: | | |
| Charges for service | \$ 229 | \$ 219 |
| Operating grants, contributions and restricted interest | 266 | 252 |
| Capital grants, contributions and restricted interest | 128 | 412 |
| General receipts: | | |
| Property tax | 579 | 588 |
| Tax increment financing | 100 | 97 |
| Unrestricted investment earnings | 34 | 21 |
| Other general receipts | <u>45</u> | <u>15</u> |
| Total receipts | <u>1,381</u> | <u>1,604</u> |
| Disbursements: | | |
| Public safety | 257 | 255 |
| Public works | 296 | 330 |
| Health and social services | 21 | 17 |
| Culture and recreation | 318 | 258 |
| General government | 180 | 173 |
| Debt service | 132 | 132 |
| Capital projects | <u>467</u> | <u>438</u> |
| Total disbursements | <u>1,671</u> | <u>1,603</u> |
| Increase (decrease) in cash basis net assets | (290) | 1 |
| Cash basis net assets beginning of year | <u>1,423</u> | <u>1,422</u> |
| Cash basis net assets end of year | <u>\$1,133</u> | <u>\$1,423</u> |

The City's total receipts for governmental activities decreased by 13.9%, or \$223,000. The total cost of all programs and services increased by approximately \$68,000, or 4.2%. The decrease in receipts was due primarily because fund raising is completed for the REC Center. In addition, there has been a decrease in memberships and daily fees at the REC Center and the outdoor swimming pool, and snow removal fines have also decreased.

The increase in disbursements was due primarily to changes in the cost to impound and dispose of stray animals; increased fuel costs for Siouxland Transit buses, taxi and city trucks and heavy equipment, and cost for heating and cooling the outdoor pool, REC Center and Community Hall. The City Council contracted with Simpeco to do nuisance abatement for the city and it wasn't included in the annual budget. There also were increased costs for maintenance agreements.

The cost of all governmental activities this year was \$1.671 million compared to \$1.603 million last year. However, as shown in the Statement of Activities and Net Assets on pages 12-13, the amount taxpayers ultimately financed for these activities was only \$1,048,000 because some of the cost was paid by those directly benefited

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

from the programs (\$229,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$393,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$758,000 in tax (some of which could only be used for certain programs) and other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)

| | <u>Year Ended June 30,</u> | |
|--|----------------------------|--------------|
| | <u>2005</u> | <u>2004</u> |
| Receipts: | | |
| Program receipts: | | |
| Charges for service: | | |
| Water | \$170 | \$198 |
| Sewer | 154 | 151 |
| Garbage | 125 | 115 |
| Utility | 4 | 4 |
| Capital grants, contributions, and restricted interest | <u>5</u> | <u>7</u> |
| Total receipts | <u>458</u> | <u>475</u> |
| Disbursements: | | |
| Water | 233 | 142 |
| Sewer | 145 | 139 |
| Garbage | 120 | 111 |
| Utility | <u>3</u> | <u>4</u> |
| Total disbursements | <u>501</u> | <u>396</u> |
| Increase (decrease) in cash basis net assets | (43) | 79 |
| Cash basis net assets beginning of year | <u>620</u> | <u>541</u> |
| Cash basis net assets end of year | <u>\$577</u> | <u>\$620</u> |

Total business type activities receipts for the fiscal year were \$458,000 compared to \$475,000 last year. This decrease was due primarily to the discontinued collecting of the other charge on the water bill as the Alternate Water Source Project was completed. Every user had paid an additional charge in lieu of a bond sale for the project.

Total disbursements for the fiscal year increased by 26.5% to a total of \$501,000. This increase in disbursements was because a capital improvement was completed for the water department. A block of new water main was installed on Iowa Street. Also, increased costs of fuel for vehicles and heavy equipment as well as heating the buildings resulted in increased disbursements. The lab cost increased for the sewer department due to additional testing. The garbage rate was increased because of a surcharge for increased fuel costs for the private hauler.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Ida Grove completed the year, its governmental funds reported a combined fund balance of \$1,132,960, a decrease of \$289,848 from last year's total of \$1,422,808. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$1,724 from the prior year to \$504,697.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS - (Continued)

The Road Use Tax Fund, which accounts for monies received from the State of Iowa for road improvements, cash balance increased by \$1,709 to \$413,602 during the fiscal year.

The Tax Increment Financing Fund, which accounts for projects financed by tax increment financing, cash balance increased by \$5,851 to \$337,306.

The Capital Projects Fund, which accounts for various improvement projects within the City, cash balance decreased by \$288,991 to \$(237,348) due primarily to donations for the REC Center being lower because the facility is completed. The Alternate Water Source Project was completed and the 125th Celebration was completed.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund, which accounts for the operation and maintenance of the City's water system, cash balance decreased by \$57,979 to \$232,898, due primarily to new construction.

The Sewer Fund, which accounts for the operation and maintenance of the City's sanitary sewer and wastewater treatment system, cash balance increased by \$8,967 to \$276,263.

The Garbage Fund, which accounts for the operation of the City's solid waste collection and disposal system, cash balance increased by \$4,994 to \$57,547.

BUDGETARY HIGHLIGHTS

For the year ended June 30, 2005 there were no budget amendments. Actual receipts were approximately \$14,000 under budgeted receipts and actual disbursements were approximately \$136,000 or 6% under the budgeted amount.

DEBT ADMINISTRATION

At June 30, 2005, the City had \$330,000 in bonds and other long-term debt, compared to \$440,000 last year, as shown below.

| | <u>Outstanding Debt at Year-End</u> <u>(Expressed in Thousands)</u> | |
|--------------------------|--|--------------|
| | <u>June 30,</u> <u>2005</u> | <u>2004</u> |
| General obligation bonds | <u>\$330</u> | <u>\$440</u> |

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$330,000 is significantly below its constitutional debt limit of \$3.9 million.

ECONOMIC FACTORS

Ida Grove continues to experience commercial and residential growth. Zobel's Seventh Addition has seen growth with three new houses being built. Horn Memorial Hospital is completing their renovation and expansion. The Farmer's Cooperative Elevator continues to expand and upgrade their facility. The City began a Water Main Loop Project for better fire protection for Gomaco Trolley Company, Horn Memorial Hospital, Horn Physicians Clinic, the Medical Arts Clinic, as well as all of the residential dwellings in the area. The City installed new concrete curb and gutter, and an asphalt street on Barnes Street from Fifth to Seventh Street.

The City continues to look for projects to increase the quality of life for it's residents, as well as those visiting Ida Grove.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Diane Alborn, City Clerk, P.O. Box 236, Ida Grove, Iowa.

CITY OF IDA GROVE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

Exhibit A

| | Program Receipts | | | | Net (Disbursements) Receipts and Changes in Cash Basis Net Assets | | | |
|---|------------------|------------------------|--|--|--|--------------------------------|--------------|-------------------|
| | Disbursements | Charges for Service | Operating Grants, Contributions, and Restricted Interest | Capital Grants, Contributions, and Restricted Interest | Primary Government | | | Component Unit |
| | | | | | Governmental Activities | Business Type Activities | Total | |
| Functions/Programs: | | | | | | | | |
| Primary government: | | | | | | | | |
| Governmental Activities | | | | | | | | |
| Public safety | \$ 257,594 | \$ 191 | \$ 12,675 | \$ - | \$ (244,728) | \$ - | \$ (244,728) | \$ - |
| Public works | 295,948 | 6,146 | 214,965 | - | (74,837) | - | (74,837) | - |
| Health and social services | 20,763 | 15,247 | - | - | (5,516) | - | (5,516) | - |
| Culture and recreation | 317,698 | 191,178 | 34,097 | - | (93,423) | - | (93,423) | - |
| General government | 180,540 | 12,064 | 3,989 | - | (164,487) | - | (164,487) | - |
| Debt service | 131,605 | - | - | - | (131,605) | - | (131,605) | - |
| Capital projects | 466,939 | 4,607 | - | 127,688 | (334,644) | - | (334,644) | - |
| Total governmental activities | 1,671,087 | 229,433 | 265,726 | 127,688 | (1,048,240) | - | (1,048,240) | - |
| Business type activities | | | | | | | | |
| Water service | 232,946 | 169,767 | - | 5,200 | - | (57,979) | (57,979) | - |
| Sewer service | 144,891 | 153,858 | - | - | - | 8,967 | 8,967 | - |
| Garbage service | 119,854 | 124,848 | - | - | - | 4,994 | 4,994 | - |
| Utility deposits | 3,596 | 4,406 | - | - | - | 810 | 810 | - |
| Total business type activities | 501,287 | 452,879 | - | 5,200 | - | (43,208) | (43,208) | - |
| Total primary government | \$ 2,172,374 | \$ 682,312 | \$ 265,726 | \$ 132,888 | (1,048,240) | (43,208) | (1,091,448) | - |
| Component unit: | | | | | | | | |
| Ida Grove Community Rec Center Endowment Trust | \$ 7,543 | \$ - | \$ - | \$ 10,100 | - | - | - | 2,557 |
| General Receipts: | | | | | | | | |
| Property tax levied for: | | | | | | | | |
| General purposes | | | | | 537,045 | - | 537,045 | - |
| Tax increment financing | | | | | 99,718 | - | 99,718 | - |
| Utility excise replacement tax | | | | | 41,729 | - | 41,729 | - |
| Special assessments | | | | | 15,156 | - | 15,156 | - |
| Unrestricted interest on investments | | | | | 34,186 | - | 34,186 | 10,298 |
| Bank franchise tax | | | | | 20,305 | - | 20,305 | - |
| Miscellaneous | | | | | 10,253 | - | 10,253 | - |
| Total general receipts and transfers | | | | | 758,392 | - | 758,392 | 10,298 |

(Continued)

CITY OF IDA GROVE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

Exhibit A
(Continued)

| | Program Receipts | | | | Net (Disbursements) Receipts and Changes in Cash Basis Net Assets | | | |
|---|------------------|------------------------|--|--|--|--------------------------------|---------------------|-------------------|
| | Disbursements | Charges for Service | Operating Grants, Contributions, and Restricted Interest | Capital Grants, Contributions, and Restricted Interest | Primary Government | | | Component Unit |
| | | | | | Governmental Activities | Business Type Activities | Total | |
| Change in cash basis net assets | | | | | \$ (289,848) | \$ (43,208) | \$ (333,056) | \$ 12,855 |
| Cash basis net assets beginning of year | | | | | <u>1,422,808</u> | <u>620,064</u> | <u>2,042,872</u> | <u>219,494</u> |
| Cash basis net assets end of year | | | | | <u>\$ 1,132,960</u> | <u>\$ 576,856</u> | <u>\$ 1,709,816</u> | <u>\$ 232,349</u> |
| Cash Basis Net Assets | | | | | | | | |
| Restricted: | | | | | | | | |
| Streets | | | | | \$ 413,602 | \$ - | \$ 413,602 | \$ - |
| Tax increment purposes | | | | | 337,306 | - | 337,306 | - |
| Debt service | | | | | 81,790 | - | 81,790 | - |
| Other purposes | | | | | 32,913 | - | 32,913 | - |
| Ida Grove Community Rec Center | | | | | | | | |
| Endowment Trust | | | | | - | - | - | 232,349 |
| Unrestricted | | | | | <u>267,349</u> | <u>576,856</u> | <u>844,205</u> | <u>-</u> |
| Total cash basis net assets | | | | | <u>\$ 1,132,960</u> | <u>\$ 576,856</u> | <u>\$ 1,709,816</u> | <u>\$ 232,349</u> |

See notes to financial statements.

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

Exhibit B

| | Special Revenue | | | | Other | |
|---|-------------------|-------------------|-------------------------------|---------------------|------------------------------------|---------------------|
| | General | Road Use | Tax Increment Financing | Capital Projects | Non-major Governmental Funds | Total |
| | | | | | | |
| Receipts: | | | | | | |
| Property tax | \$ 438,481 | \$ - | \$ - | \$ - | \$ 98,564 | \$ 537,045 |
| Tax increment financing collections | - | - | 99,718 | - | - | 99,718 |
| Other city tax | 34,410 | - | - | - | 7,319 | 41,729 |
| Licenses and permits | 9,008 | - | - | - | - | 9,008 |
| Use of money and property | 47,755 | - | - | 199 | - | 47,954 |
| Intergovernmental | 41,953 | 195,393 | - | - | - | 237,346 |
| Charges for service | 196,288 | - | - | - | - | 196,288 |
| Special assessments | - | - | - | 614 | 1,429 | 2,043 |
| Miscellaneous | 82,730 | - | - | 127,378 | - | 210,108 |
| Total receipts | <u>850,625</u> | <u>195,393</u> | <u>99,718</u> | <u>128,191</u> | <u>107,312</u> | <u>1,381,239</u> |
| Disbursements: | | | | | | |
| Operating: | | | | | | |
| Public safety | 257,214 | - | - | - | 380 | 257,594 |
| Public works | 131,448 | 135,020 | - | - | 29,480 | 295,948 |
| Health and social services | 20,763 | - | - | - | - | 20,763 |
| Culture and recreation | 312,128 | - | - | - | 5,570 | 317,698 |
| General government | 165,814 | - | - | - | 14,726 | 180,540 |
| Debt service | - | - | - | - | 131,605 | 131,605 |
| Capital projects | - | - | - | 466,939 | - | 466,939 |
| Total disbursements | <u>887,367</u> | <u>135,020</u> | <u>-</u> | <u>466,939</u> | <u>181,761</u> | <u>1,671,087</u> |
| Excess (deficiency) of receipts over disbursements | <u>(36,742)</u> | <u>60,373</u> | <u>99,718</u> | <u>(338,748)</u> | <u>(74,449)</u> | <u>(289,848)</u> |
| Other financing sources (uses): | | | | | | |
| Transfers in | 35,018 | - | - | 58,664 | 93,867 | 187,549 |
| Transfers out | - | (58,664) | (93,867) | (8,907) | (26,111) | (187,549) |
| Total other financing sources (uses) | <u>35,018</u> | <u>(58,664)</u> | <u>(93,867)</u> | <u>49,757</u> | <u>67,756</u> | <u>-</u> |
| Net change in cash balances | (1,724) | 1,709 | 5,851 | (288,991) | (6,693) | (289,848) |
| Cash balances beginning of year | <u>506,421</u> | <u>411,893</u> | <u>331,455</u> | <u>51,643</u> | <u>121,396</u> | <u>1,422,808</u> |
| Cash balances end of year | <u>\$ 504,697</u> | <u>\$ 413,602</u> | <u>\$ 337,306</u> | <u>\$ (237,348)</u> | <u>\$ 114,703</u> | <u>\$ 1,132,960</u> |

(Continued)

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

Exhibit B
(Continued)

| | General | Special Revenue | | Capital Projects | Other Non-major Governmental Funds | Total |
|--------------------------------|-------------------|-------------------|-------------------------------|---------------------|---|---------------------|
| | | Road Use | Tax Increment Financing | | | |
| Cash Basis Fund Balances | | | | | | |
| Unreserved: | | | | | | |
| General fund | \$ 504,697 | \$ - | \$ - | \$ - | \$ - | \$ 504,697 |
| Special revenue funds | - | 413,602 | 337,306 | - | 32,913 | 783,821 |
| Debt service | - | - | - | - | 81,790 | 81,790 |
| Capital project fund | - | - | - | (237,348) | - | (237,348) |
| Total cash basis fund balances | <u>\$ 504,697</u> | <u>\$ 413,602</u> | <u>\$ 337,306</u> | <u>\$ (237,348)</u> | <u>\$ 114,703</u> | <u>\$ 1,132,960</u> |

See notes to financial statements.

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

Exhibit C

| | Water Service | Sewer Service | Garbage Service | Non- Major Fund Utility Deposits | Total |
|---|-------------------|-------------------|--------------------|--|-------------------|
| Operating Receipts: | | | | | |
| Use of money and property | \$ 150 | \$ - | \$ - | \$ - | \$ 150 |
| Charges for service | 169,373 | 153,757 | 124,848 | - | 447,978 |
| Miscellaneous | <u>244</u> | <u>101</u> | <u>-</u> | <u>4,406</u> | <u>4,751</u> |
| Total operating receipts | 169,767 | 153,858 | 124,848 | 4,406 | 452,879 |
| Operating Disbursements: | | | | | |
| Business type activities | <u>232,946</u> | <u>144,891</u> | <u>119,854</u> | <u>3,596</u> | <u>501,287</u> |
| Excess (deficiency) of operating receipts over operating disbursements | (63,179) | 8,967 | 4,994 | 810 | (48,408) |
| Non-operating receipts | | | | | |
| Intergovernmental | <u>5,200</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,200</u> |
| Net change in cash balances | (57,979) | 8,967 | 4,994 | 810 | (43,208) |
| Cash balances beginning of year | <u>290,877</u> | <u>267,296</u> | <u>52,553</u> | <u>9,338</u> | <u>620,064</u> |
| Cash balances end of year | <u>\$ 232,898</u> | <u>\$ 276,263</u> | <u>\$ 57,547</u> | <u>\$ 10,148</u> | <u>\$ 576,856</u> |
| Cash Basis Fund Balances | | | | | |
| Unreserved | <u>\$ 232,898</u> | <u>\$ 276,263</u> | <u>\$ 57,547</u> | <u>\$ 10,148</u> | <u>\$ 576,856</u> |

See notes to financial statements.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. Summary of Significant Accounting Policies

City of Ida Grove is a political subdivision of the State of Iowa located in Ida County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, general government, and business type activities.

A. Reporting Entity

For financial reporting purposes, City of Ida Grove has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City.

These financial statements present the City of Ida Grove (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Ida Grove Community Rec Center Endowment Trust was established as a non-profit trust in accordance with Section 450.4(2) of the Code of Iowa. The Trust is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. The Trust receives donations for maintaining and improving the facilities, programs, and physical plant of the Rec Center and Community building. These donations are to be used for items which are not included in the City's budget.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Ida County Assessor's Conference Board, Ida County Public Safety and Communications Commission, and Ida County Landfill Commission.

Payments made to Ida County Public Safety and Communications Commission, and Ida County Landfill Commission during the year ended June 30, 2005 were \$218,780 and \$23,500 respectively.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. Summary of Significant Accounting Policies - (Continued)

B. Basis of Presentation - (Continued)

activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Tax Increment Financing Fund is used to account for projects financed by tax increment financing.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Water Service Fund accounts for the operation and maintenance of the City's water system.

The Sewer Service Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. Summary of Significant Accounting Policies - (Continued)

B. Basis of Presentation - (Continued)

The Garbage Service Fund accounts for the operation and maintenance of the City's system of solid waste removal.

C. Measurement Focus and Basis of Accounting

The City of Ida Grove maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the capital projects function.

2. Cash

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Auditing Standards Board Statement Number 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

3. Bonds Payable

Annual debt service requirements to maturity for general obligation bonds are as follows:

| <u>Year Ending</u> <u>June 30,</u> | <u>General Obligation Bonds</u> | |
|---------------------------------------|---------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2006 | \$ 75,000 | \$ 15,665 |
| 2007 | 75,000 | 12,230 |
| 2008 | 80,000 | 8,750 |
| 2009 | 30,000 | 5,000 |
| 2010 | 35,000 | 3,500 |
| 2011 | 35,000 | 1,750 |
| Total | <u>\$330,000</u> | <u>\$46,895</u> |

4. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$20,070, \$18,186, and \$14,787 respectively, equal to the required contributions for each year.

5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount</u> |
|------------------------|-----------------|
| Vacation | <u>\$13,977</u> |

The liability has been computed based on rates of pay as of June 30, 2005.

6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|----------------------|---------------|
| General | Special Revenue: | |
| | Emergency fund | \$ 26,111 |
| | Capital Projects | 8,907 |

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

6. Interfund Transfers - (Continued)

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|-------------------------|------------------|
| Capital Projects | Special Revenue: | |
| | Road use | \$ 58,664 |
| Debt service | Special Revenue: | |
| | Tax increment financing | <u>93,867</u> |
| | | <u>\$187,549</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

7. Operating Lease

The City leases two John Deere mowers. Rental expense incurred for this lease was \$4,895 for the year ended June 30, 2005. Minimum amounts payable under this operating lease are as follows:

| <u>Year Ended</u> <u>June 30,</u> | <u>Amount</u> |
|--------------------------------------|----------------|
| 2006 | <u>\$4,895</u> |

8. Commercial Development Revenue Bonds

Commercial Development Revenue Bonds were issued July 1, 1984, for \$575,000, under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the revenue of the properties constructed and the bond principal and interest do not constitute liabilities of the City. The balance outstanding at June 30, 2005 was \$150,000.

9. Service Agreements

The City has an agreement with Ida County Sanitation, Inc. for refuse collection and hauling of solid waste and recyclable materials. Payments under this agreement were \$118,270 for the year ended June 30, 2005.

10. Hospital Revenue Notes

The City has issued a total of \$8,950,000 of hospital revenue notes for Horn Memorial Hospital under the provisions of Chapter 419 of the Code of Iowa of which \$8,950,000 is outstanding at June 30, 2005. The bonds and related interest are payable solely from the revenue of the hospital and the bond principal and interest do not constitute liabilities of the City.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

11. Construction Contracts and Commitments

The City has entered into the following contracts which were not completed as of June 30, 2005.

| <u>Projects</u> | <u>Total Contract Amount</u> | <u>Amount Paid As of 6-30-05</u> | <u>Remaining Commitment As of 6-30-05</u> |
|-----------------|--------------------------------------|--|---|
| Engineering | \$116,521 | \$ - | \$116,521 |

The above costs will be paid from grant proceeds and funds on hand.

12. Risk Management

City of Ida Grove is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

13. Deficit Fund Balance

The Capital Projects Funds, Forrest Avenue Improvement, and Zobel's Seventh Addition and the Enterprise fund Water/Sewer Extension had deficit balances of \$9,923, \$232,446, and \$89,401, respectively at June 30, 2005. These deficit balances are a result of project costs incurred prior to availability of funds. These deficit balances will be eliminated by special assessments, issuance of general obligation bonds, and transfers from other funds.

14. Subsequent Events

The City has contracted to replace RBC units at its wastewater treatment facility at a cost of \$398,900, and for the water main loop project at a cost of \$127,276.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF IDA GROVE
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005

| | Governmental Funds <u>Actual</u> | Proprietary Funds <u>Actual</u> | <u>Net</u> | Budgeted Original and <u>Final</u> | Final to Net <u>Variance</u> |
|---|--|---------------------------------------|---------------------|---|---------------------------------------|
| Receipts: | | | | | |
| Property tax | \$ 537,045 | \$ - | \$ 537,045 | \$ 538,299 | \$ (1,254) |
| Tax increment financing collections | 99,718 | - | 99,718 | 102,500 | (2,782) |
| Other city tax | 41,729 | - | 41,729 | 40,745 | 984 |
| Licenses and permits | 9,008 | - | 9,008 | 7,420 | 1,588 |
| Use of money and property | 47,954 | 150 | 48,104 | 59,925 | (11,821) |
| Intergovernmental | 237,346 | 5,200 | 242,546 | 231,628 | 10,918 |
| Charges for service | 196,288 | 447,978 | 644,266 | 738,455 | (94,189) |
| Special assessments | 2,043 | - | 2,043 | 4,872 | (2,829) |
| Miscellaneous | 210,108 | 4,751 | 214,859 | 129,376 | 85,483 |
| Total receipts | <u>1,381,239</u> | <u>458,079</u> | <u>1,839,318</u> | <u>1,853,220</u> | <u>(13,902)</u> |
| Disbursements: | | | | | |
| Public safety | 257,594 | - | 257,594 | 281,277 | 23,683 |
| Public works | 295,948 | - | 295,948 | 392,473 | 96,525 |
| Health and social services | 20,763 | - | 20,763 | 22,975 | 2,212 |
| Culture and recreation | 317,698 | - | 317,698 | 342,777 | 25,079 |
| General government | 180,540 | - | 180,540 | 210,236 | 29,696 |
| Debt service | 131,605 | - | 131,605 | 131,605 | - |
| Capital projects | 466,939 | - | 466,939 | 397,451 | (69,488) |
| Business type activities | - | 501,287 | 501,287 | 529,095 | 27,808 |
| Total disbursements | <u>1,671,087</u> | <u>501,287</u> | <u>2,172,374</u> | <u>2,307,889</u> | <u>135,515</u> |
| Excess (deficiency) of receipts over disbursements | (289,848) | (43,208) | (333,056) | (454,669) | 121,613 |
| Balances, beginning of year | <u>1,422,808</u> | <u>620,064</u> | <u>2,042,872</u> | <u>1,372,771</u> | <u>670,101</u> |
| Balances, end of year | <u>\$ 1,132,960</u> | <u>\$ 576,856</u> | <u>\$ 1,709,816</u> | <u>\$ 918,102</u> | <u>\$ 791,714</u> |

See accompanying independent auditor's report.

CITY OF IDA GROVE
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING
JUNE 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities, and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the capital projects function.

OTHER SUPPLEMENTARY INFORMATION

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

Schedule 1

| | <u>Special Revenue</u> | | | |
|--|------------------------|------------------|------------------|-------------------|
| | <u>Employee</u> | <u>Emergency</u> | <u>Debt</u> | <u>Total</u> |
| | <u>Benefits</u> | <u>Fund</u> | <u>Service</u> | |
| Receipts: | | | | |
| Property tax | \$ 52,516 | \$ 12,122 | \$ 33,926 | \$ 98,564 |
| Other city tax | 4,000 | 924 | 2,395 | 7,319 |
| Special assessments | - | - | 1,429 | 1,429 |
| Total receipts | <u>56,516</u> | <u>13,046</u> | <u>37,750</u> | <u>107,312</u> |
| Disbursements: | | | | |
| Public safety | 380 | - | - | 380 |
| Public works | 29,480 | - | - | 29,480 |
| Culture and recreation | 5,570 | - | - | 5,570 |
| General government | 14,726 | - | - | 14,726 |
| Debt service | - | - | 131,605 | 131,605 |
| Total disbursements | <u>50,156</u> | <u>-</u> | <u>131,605</u> | <u>181,761</u> |
| Excess (deficiency) of revenues over expenditures | <u>6,360</u> | <u>13,046</u> | <u>(93,855)</u> | <u>(74,449)</u> |
| Other financing sources: | | | | |
| Transfers in | - | - | 93,867 | 93,867 |
| Transfers out | - | (26,111) | - | (26,111) |
| | <u>-</u> | <u>(26,111)</u> | <u>93,867</u> | <u>67,756</u> |
| Net change in cash balances | 6,360 | (13,065) | 12 | (6,693) |
| Cash balances beginning of year | <u>26,553</u> | <u>13,065</u> | <u>81,778</u> | <u>121,396</u> |
| Cash balances end of year | <u>\$ 32,913</u> | <u>\$ -</u> | <u>\$ 81,790</u> | <u>\$ 114,703</u> |
| Cash Basis Fund Balances | | | | |
| Unreserved: | | | | |
| Special Revenue | \$ 32,913 | \$ - | \$ - | \$ 32,913 |
| Debt service | - | - | 81,790 | 81,790 |
| Total cash basis fund balances | <u>\$ 32,913</u> | <u>\$ -</u> | <u>\$ 81,790</u> | <u>\$ 114,703</u> |

See accompanying independent auditor's report.

CITY OF IDA GROVE
STATEMENT OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2005

Schedule 2

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued | Balance Beginning Of Year | Issued During Year | Redeemed During Year | Balance End Of Year | Interest Paid | Interest Due and Unpaid |
|---|------------------|-------------------|--------------------------------|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|-------------------------------|
| General obligation bonds: | | | | | | | | | |
| West Fifth/Westview Addition street improvements | February 1, 1995 | 5.50% | \$ 330,000 | \$ 40,000 | \$ - | \$ 40,000 | \$ - | \$ 2,200 | \$ - |
| Hillcrest/Zoebe's 6th street improvements | May 1, 1998 | 4.15-4.50% | 400,000 | 185,000 | - | 45,000 | 140,000 | 8,055 | - |
| Airport improvement | October 11, 2000 | 5.00% | 290,000 | 215,000 | - | 25,000 | 190,000 | 10,750 | - |
| | | | | <u>\$ 440,000</u> | <u>\$ -</u> | <u>\$ 110,000</u> | <u>\$ 330,000</u> | <u>\$ 21,005</u> | <u>\$ -</u> |

See accompanying independent auditor's report.

CITY OF IDA GROVE
BOND MATURITIES
JUNE 30, 2005

Schedule 3

General Obligations Bonds

| Year Ending <u>June 30,</u> | Airport Improvement Issued <u>October 11, 2000</u> | | Hillcrest/Zoebel's 6th Street Improvement <u>Issued May 1, 1998</u> | | <u>Total</u> |
|--------------------------------|--|-------------------|---|-------------------|-------------------|
| | <u>Interest Rates</u> | <u>Amount</u> | <u>Interest Rates</u> | <u>Amount</u> | |
| 2006 | 5.00% | \$ 30,000 | 4.30% | \$ 45,000 | \$ 75,000 |
| 2007 | 5.00 | 30,000 | 4.40 | 45,000 | 75,000 |
| 2008 | 5.00 | 30,000 | 4.50 | 50,000 | 80,000 |
| 2009 | 5.00 | 30,000 | | - | 30,000 |
| 2010 | 5.00 | 35,000 | | - | 35,000 |
| 2011 | 5.00 | 35,000 | | - | 35,000 |
| | | <u>\$ 190,000</u> | | <u>\$ 140,000</u> | <u>\$ 330,000</u> |

See accompanying independent auditor's report.

CITY OF IDA GROVE
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST THREE YEARS

Schedule 4

| | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|-------------------------------------|---------------------|---------------------|---------------------|
| Receipts: | | | |
| Property tax | \$ 537,045 | \$ 542,175 | \$ 485,730 |
| Tax increment financing collections | 99,718 | 96,850 | 183,235 |
| Other city tax | 41,729 | 38,314 | 40,097 |
| Licenses and permits | 9,008 | 6,369 | 2,190 |
| Use of money and property | 47,954 | 34,949 | 42,552 |
| Intergovernmental | 237,346 | 232,944 | 344,280 |
| Charges for service | 196,288 | 172,165 | 15,733 |
| Special assessments | 2,043 | 7,614 | 4,878 |
| Miscellaneous | <u>210,108</u> | <u>473,297</u> | <u>1,019,413</u> |
| Total receipts | <u>\$ 1,381,239</u> | <u>\$ 1,604,677</u> | <u>\$ 2,138,108</u> |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | \$ 257,594 | \$ 254,600 | \$ 260,739 |
| Public works | 295,948 | 330,013 | 389,524 |
| Health and social services | 20,763 | 17,506 | 21,241 |
| Culture and recreation | 317,698 | 258,039 | 1,187,576 |
| General government | 180,540 | 173,439 | 161,296 |
| Debt service | 131,605 | 131,715 | 136,805 |
| Capital projects | <u>466,939</u> | <u>438,145</u> | <u>-</u> |
| Total disbursements | <u>\$ 1,671,087</u> | <u>\$ 1,603,457</u> | <u>\$ 2,157,181</u> |

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.
JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council
Ida Grove, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated September 9, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Ida Grove's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Ida Grove's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error of fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe all of the reportable conditions described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Ida Grove's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of

our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of City of Ida Grove and other parties to whom City of Ida Grove may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Ida Grove during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Hungelman, Putzier & Co.

September 9, 2005

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS

- I-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by either of two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The City Council holds an organizational meeting at the first meeting in January. At that time, the Council reviews the operational procedures so they can obtain maximum internal control. The financial reports are presented the first meeting of the month to the entire Council for their review and approval, which is an additional procedure to maintain maximum control. The individual making the deposit will not take the deposit to the bank, other office staff will take the deposit to the bank.

Conclusion - Response accepted.

- I-B-05 Fire Department and Centennial Commission Funds - The Fire Department and Centennial Commission currently maintain bank accounts which are not included in the City's financial records. These do not appear to be separate non-profit corporations, but may be departments of the City. Chapter 384.20 of the Iowa Code states in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property. Public moneys may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - These funds should be included in the City's financial records and any disbursements should be budgeted.

Response - The City will provide the auditor's comments and request an annual budget and monthly receipt and disbursement report from the Fire Chief and Treasurer and the Chairman of the Centennial Commission, to be included in the City's budget.

Conclusion - Response accepted.

- I-C-05 Original Documentation - We noted that there was no supporting documentation for two expenditures from the Library which totaled \$3,544.

Recommendation - All disbursements should only be made from original invoices or other proper supporting documents.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Financial Statements: (Continued)

I-C-05 Original Documentation - (Continued)

Response - The City Clerk informed the Library Director of the need for original invoices or other proper support documents with all claims. Claims will not be paid without the proper documentation.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-05 Official Depositories - A resolution naming official depositories has been adopted by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - Disbursements during the year exceed the amounts budgeted in the Capital Projects function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - Unexpected capital projects caused the City's budget to be exceeded. The City Clerk will monitor the capital project funds and amend the budget before it is exceeded.

Conclusion - Response accepted.

II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-05 Business Transactions - We noted no business transactions between the City and City officials or employees.

II-F-05 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-I-05 Excess Balances - The following funds have balances at June 30, 2005 in excess of one year's expenditures:

Special Revenue - Tax Increment Financing - South
 - Tax Increment Financing - West
 - Road Use

Recommendation - While it appears that these funds may have an excessive balance, this can usually be justified if the City has a specific plan for future expenditures. The City should consider the necessity of maintaining these substantial balances and, where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response - Tax Increment Financing - South - The City is continuing to pay the annual bond and coupon payments out of the monies in the fund. The City also needs to have a .395% set aside for a low and moderate-income project because the area has upscale housing.

Tax Increment Financing - West - The City is continuing to pay the annual bond and coupon payments out of the monies in the fund and when the issue is complete the monies should be depleted.

Road Use Tax - The City is paying for a portion of the Barnes Street Improvement Project of \$58,664 from Road Use Tax Fund and additional street projects were taken out of capital improvement.

Conclusion - Response accepted.

II-J-05 Financial Condition - At June 30, 2005 the City had deficit balances in the Forrest Avenue Improvement, Zobel's Seventh Addition, and Water/Sewer Extension funds of \$9,923, \$232,446, and \$89,401, respectively.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition.

Response - The City is currently gathering necessary information for a bond sale for several capital projects. The City will receive a better interest rate with a large bond sale. Zobel's Seventh Addition and the Water/Sewer Extension Project will be included in the bond sale. Forrest Avenue was a special assessment project and monies are still being received from property owners. The Council will plan to transfer funds for the deficit balance.

Conclusion - Response accepted.